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UNIFORM SYSTEM OF ACCOUNTS

FOR

TELEPHONE COMPANIES

CLASS C

PRESCRIBED BY THE

INTERSTATE COMMERCE COMMISSION

IN ACCORDANCE WITH SECTION 20 OF THE
ACT TO REGULATE COMMERCE

ISSUE OF 1915

EFFECTIVE ON JANUARY 1, 1915

WASHINGTON
GOVERNMENT PRINTING OFFICE
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THE INTERSTATE COMMERCE COMMISSION.

JAMES S. HARLAN, *of Illinois.*
JUDSON C. CLEMENTS, *of Georgia.*
EDGAR E. CLARK, *of Iowa.*
CHARLES C. MCCHORD, *of Kentucky.*
BALTHASAR H. MEYER, *of Wisconsin.*
HENRY C. HALL, *of Colorado.*
WINTHROP M. DANIELS, *of New Jersey.*
GEORGE B. MCGINTY, *Secretary.*

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ORDER.

At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 13th day of October, 1914.

The subject of a Uniform System of Accounts to be prescribed for and kept by telephone companies being under consideration, the following order was entered:

It is ordered, That the Uniform System of Accounts for Telephone Companies, Class C, with the text pertaining thereto, embodied in printed form to be hereafter known as Issue of 1915, a copy of which is now before this Commission, be, and the same is hereby, approved; that a copy thereof duly authenticated by the Secretary of the Commission be filed in its archives, and a second copy thereof, in like manner authenticated, in the office of the Division of Carriers' Accounts; and that each of said copies so authenticated and filed shall be deemed an original record thereof.

It is further ordered, That the said Uniform System of Accounts for Telephone Companies, Class C, with the text pertaining thereto, be, and the same is hereby, prescribed for the use of Class C telephone companies (those having annual operating revenues exceeding $10,000 but not more than $50,000), subject to the provisions of the Act to Regulate Commerce as amended, in the keeping and recording of their accounts; that each and every such carrier and each and every receiver or operating trustee of any such carrier be required to keep all accounts in conformity therewith; and that a copy of the said issue be sent to each and every such carrier and to each and every receiver or operating trustee of any such carrier.

It is further ordered, That any such carrier or any receiver or operating trustee of any such carrier may subdivide any primary account in the said issue (as permitted in the general instructions contained therein); or may make assignment of the amount charged to any such primary account to operating divisions, to its individual lines, or to States: *Provided, however*, That such subprimary accounts set up or such assignments made by any such carrier or by any receiver or operating trustee of any such carrier do not impair the integrity of the accounts hereby prescribed.

It is further ordered, That in order that the basis of comparison with previous years be not destroyed, any such carrier or any receiver

or operating trustee of any such carrier may, during the twelve months ending December 31, 1915, keep and maintain, in addition to the accounts hereby prescribed, such portion or portions of its present accounts as may be deemed desirable by any such carrier, or by any receiver or operating trustee thereof, for the purpose of such comparison; or, during the same period, may maintain such groupings of the primary accounts hereby prescribed as may be desired for that purpose.

It is further ordered, That any such carrier or any receiver or operating trustee of any such carrier, in addition to the accounts hereby prescribed, may, unless otherwise ordered, keep any temporary or experimental accounts the purpose of which is to develop the efficiency of operation: *Provided, however*, That such temporary or experimental accounts shall not impair the integrity of any primary account hereby prescribed.

It is further ordered, That January 1, 1915, be, and is hereby, fixed as the date on which the said issue of the Uniform System of Accounts for Telephone Companies, Class C, shall become effective.

By the Commission:

(SEAL) GEORGE B. MCGINTY,

Secretary.

INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,
DIVISION OF CARRIERS' ACCOUNTS,
Washington, October 13, 1914.

TO CLASS C TELEPHONE COMPANIES:

This Uniform System of Accounts for Telephone Companies, Class C, is that approved and prescribed in the order of the Interstate Commerce Commission, the text of which immediately precedes this letter. The Act to Regulate Commerce as amended invests the Commission with authority to prescribe the forms of accounts to be kept by telephone companies subject to the act, and prohibits the use of any accounts other than those prescribed by the Commission. The observance of the rules and regulations stated in this system of accounts therefore becomes obligatory upon persons having direct charge of the accounts of the companies concerned, and such persons will be held responsible for their proper application.

To enable telephone companies to determine their status under the Act to Regulate Commerce, the following conference ruling of the Commission, promulgated March 13, 1911, is quoted:

NO. 305. APPLICATION OF THE AMENDED ACT TO TELEGRAPH AND TELEPHONE COMPANIES:

(*a*) Each and every telegraph and telephone company which transmits messages over its line or lines from a point in one State, territory, or district of the United States to any other State, territory, or district of the United States, or to any foreign country, is subject to the provisions of the act.

(*b*) If a telegraph or telephone company, the line of which is wholly within a single State, territory, or district of the United States, receives a message within such State, Territory, or District of the United States, for transmission to a point without the State, territory, or district of the United States, which it transmits over its line to another point in the same State, territory, or district of the United States and there delivers it to an interstate line for transmission to destination, the first-named company by virtue of its participation in this transaction, is not made subject to the provisions of the act, unless there be an arrangement between that company and its connection for through continuous transmission of such messages, in which latter case all of the participating companies in such through continuous transmission are subject to the provisions of the act.

(*c*) If two or more lines are connected so that a person within one State, Territory, or District of the United States talks with a person at a point without such State, Territory, or District of the United States, or so that a message is transmitted directly from a point within a State, Territory, or District of the United States to a point without the same, the transmission of messages in this manner constitutes interstate commerce and brings all of the participating lines within the purview of the act.

(*d*) It follows that telegraph and telephone companies subject to the act, as above indicated, must conform to the provision of section 1 thereof requiring that all of their rates and charges for the transmission of interstate messages shall be reasonable

and just, and that such companies may lawfully issue franks covering free interstate service or may grant free interstate service to the same extent, and subject to the same limitations as other common carriers under the provisions of said section.

(*e*) Such telegraph and telephone companies subject to the act are also governed by the provisions of section 3 forbidding any undue or unreasonable preference or advantage by rebates or otherwise, or any undue or unreasonable prejudice or disadvantage in any respect whatsoever, and are subject to the lawful orders of the Commission made pursuant to the provisions of section 15 of the act, and also of section 20 thereof respecting the keeping of accounts and memoranda and the making of reports to the Commission.

Although the lines of a company may be entirely within one State, if it handles interstate messages for long-distance companies on a commission basis or otherwise handles interstate messages under the conditions named in paragraph *c* of the ruling, it is subject to the Act to Regulate Commerce.

The system of accounts prescribed herein applies only to Class C companies (those having annual operating revenues exceeding $10,000 but not over $50,000). The system for the larger companies has been in effect since January 1, 1913, and is contained in a separate publication.

It has been the aim, in preparing the system of accounts, to make it as simple as possible, and at the same time furnish such information as is needed by the Commission and is useful to the companies. It is believed that this system of accounts will be sufficient to meet the requirements of Class C companies and will not be difficult of application. If, however, any Class C companies desire to keep their accounts in greater detail, they may subdivide any of the accounts prescribed herein, or may adopt the system prescribed for Class A or Class B companies.

In formulating this system of accounts it has been the endeavor to enlist the cooperation of the telephone companies and of the various State commissions having supervision of telephone companies. For that purpose the system of accounts in tentative form has been submitted for criticisms and suggestions, and due consideration has been given to all responses received.

Accounting officers are invited to correspond with this office should question arise with regard to the correct interpretation of any account or rule prescribed in the system of accounts, in order that uniformity may be secured in the application of its provisions.

As an aid to the smaller telephone companies in the keeping of their accounts, there is contained in the appendix a bookkeeping system for small telephone companies. This form of bookkeeping is suggestive only, and it is not required that the companies make use of it either in whole or in part. The companies may for the present adopt any bookkeeping system they desire, so long as the one adopted will produce the results required by the system of accounts herein prescribed.

FRED W. SWENEY,
Chief Examiner of Accounts.

GENERAL INSTRUCTIONS.

The records of telephone companies shall be kept with sufficient particularity to show fully the facts pertaining to all entries made in the accounts provided herein. Where the full information is not recorded in the general books, the entries therein shall be supported by other records in which the full details shall be shown. Such general book entries shall contain sufficient reference to the detail records to permit ready identification of the latter, and the detail records shall be filed in such manner as to be readily accessible for examination by representatives of the Interstate Commerce Commission.

1. **Telephone companies divided into four classes.**—For the purposes of the systems of accounts prescribed by the Interstate Commerce Commission telephone companies are divided into four classes, as follows:

Class A. Companies having average annual operating revenues exceeding $250,000.
Class B. Companies having average annual operating revenues exceeding $50,000, but not more than $250,000.
Class C. Companies having average annual operating revenues exceeding $10,000, but not more than $50,000.
Class D. Companies having average annual operating revenues of $10,000 or less.

The system of accounts contained herein applies to Class C companies and shall be observed by all Class C companies (as defined above) that are subject to the Act to Regulate Commerce. Class C companies which desire more detailed accounting may subdivide the accounts prescribed herein, or they may adopt in whole or in part the classifications prescribed for Class A or for Class B companies. The classifications for Class A and Class B companies are contained in a separate publication.

No detailed classifications of accounts are at present prescribed for Class D companies.

2. **Classifications of accounts.**—The system prescribed herein for Class C companies contains the following general classifications of accounts:

(*a*) Balance-sheet accounts.
(*b*) Plant and equipment accounts.
(*c*) Income accounts.
(*d*) Operating revenue accounts.
(*e*) Operating expense accounts.

3. **Separation of exchange and toll systems.**—If a company operates two or more exchange systems or toll systems the accounts for the plant and equipment, operating revenues, and operating expenses shall be kept in such manner as will indicate the items which pertain solely to any one exchange system or any one toll system. The items pertaining to two or more systems shall be designated as *common*. It is not required that the companies keep separate sets of accounts for each exchange or toll system, although this may be done if desired. It is only necessary that the items be noted to indicate the exchange or toll system to which they pertain, or be noted *common* to show that they are applicable to the entire property.

By an *exchange system* is meant the property devoted to telephone service within the area referred to and usually described in contracts with subscribers as that within which local service is furnished at rates specified in such contracts. An exchange system may include one or more central offices.

By a *toll system* is meant the property devoted to the operation of long-distance or toll lines which connect different exchange systems where a charge is made for the use of such lines separate and apart from the charge for exchange service. Usually a company would have one toll system only.

4. **Balance sheet defined.**—The balance sheet is a statement of the assets, liabilities, and surplus or deficit of a business at a given time. It contains a statement of the ledger balances after the accounts covering the revenues, expenses, and other income items have been closed into "Surplus."

5. **Plant and equipment accounts defined.**—The *plant and equipment accounts*, sometimes termed *fixed capital* or *construction* accounts, are the accounts which show the investment in property, both tangible and intangible, used in the telephone operations and in operations incident thereto. Ten primary plant and equipment accounts (Nos. 200 to 290) are provided. The investment in plant and equipment shall be distributed over these accounts in accordance with the texts of the accounts.

6. **Income accounts defined.**—The *income accounts* are the accounts which show the amounts of money that the company has received or becomes entitled to receive for services rendered during a given period, the return accruing during the period upon investments, and the disbursements and obligations incurred that affect the disposition of the amounts so received or accrued.

The balances in these accounts shall be drawn together annually in a ledger account or in a statement form which will give the net income (or net loss) for the year. This balance shall then be transferred to the account "Surplus," which shows the accumulated undivided profits (or deficit) of the company.

7. **Operating revenues defined.**—By *operating revenues* are meant all moneys which the company receives or becomes entitled to receive for telephone service and for services incident thereto. Credits to the revenue accounts shall be based upon the gross charges made for the service rendered by the company. The totals of the primary operating revenue accounts shall be transferred annually to the Income Account under title of account No. 300, "Telephone operating revenues."

8. **Operating expenses defined.**—By *operating expenses* are meant the expenses of maintaining the property devoted to telephone operations, the expenses of conducting the telephone operations and services incident thereto, the expenses of collecting revenues and of accounting, and the general and supervisional expenses in connection with the foregoing. The totals of the primary operating expense accounts shall be transferred annually to the Income Account under title of account No. 330, "Telephone operating expenses."

9. **Cost of plant and equipment.**—The term *cost* as used in the plant and equipment (construction) accounts means the actual cost in money of labor and materials used in construction, the actual cost in money of property acquired after construction, or, if the consideration given is other than money, the actual money value of such other consideration at the time of the purchase. *Cost of labor* includes not only wages, salaries, and fees paid employees, but also personal expenses of such employees when borne by the company. *Cost of materials and supplies* consumed in construction is their cost at the places where they enter into construction, including cost of transportation and inspection.

If officers and employees of an operating company are specially assigned to construction work, an equitable proportion of their salaries and expenses shall be charged to Plant and Equipment. No charges, however, shall be made to plant and equipment

accounts for merely incidental services of officers and employees whose time is regularly devoted to the operation and maintenance of the plant.

10. **Plant and equipment in service January 1, 1915.**—The cost or ledger value of plant and equipment on hand January 1, 1915, shall be charged to primary plant and equipment accounts Nos. 200 to 270, if such distribution can be accurately made. If not possible to make such distribution, the entire cost or ledger value, or that portion which can not be distributed, shall be charged to account No. 290, "Plant and equipment in service January 1, 1915," until such time as the distribution may be possible.

11. **New construction.**—When any new plant and equipment is constructed or otherwise acquired, the cost thereof shall be charged to the various primary plant and equipment accounts (Nos. 200 to 280) in accordance with the text of the accounts.

12. **Reconstruction.**—*Reconstruction* (or extraordinary repairs) includes the following:

(*a*) Restoring to an efficient or proper condition buildings, structures, or other units of property which have deteriorated.

(*b*) Substituting, in order to maintain normal efficiency, new parts for old parts of continuous structures, such as pole lines, cables, wires, and conduits.

(*c*) Restoring the condition of property damaged by storm, flood, fire, or other casualty.

(*d*) Recovering salvage and removing retired or abandoned property in connection with above-mentioned work.

Reconstruction should be taken into consideration in arriving at a rate of depreciation as explained in section 16. Care should be taken to see that ordinary current repairs as defined in section 14 are not handled as reconstruction.

When plant and equipment is reconstructed and the property as reconstructed is of no greater use or capacity than was the original property the cost of reconstruction shall be treated as follows:

DEBIT—

To account No. 185, "Depreciation reserve," the amount carried therein with respect to such property.

To account No. 135, "Materials and supplies," the value of salvage recovered from original property.

To accounts for operating expenses (Nos. 600, 610, or 640), the remainder of the cost of reconstruction.

CREDIT—

To account No. 115, "Cash," or to other appropriate accounts, the cost of reconstruction.

If the property as reconstructed is more useful or of greater capacity than was the original property the cost of reconstruction shall be treated as follows:

DEBIT—

To accounts for plant and equipment (Nos. 200 to 270), the excess cost of the property as reconstructed over the cost or ledger value of the original property.

To account No. 185, "Depreciation reserve," the amount carried therein with respect to the property reconstructed.

To account No. 135, "Materials and supplies," the value of salvage recovered from original property.

To accounts for operating expenses (Nos. 600, 610, or 640), the remainder of the cost of reconstruction.

CREDIT—

To account No. 115, "Cash," or other appropriate accounts, the cost of reconstruction.

When it is necessary substantially to reconstruct or to replace a major portion of any unit of property or any important section of a continuous structure, the cost shall be handled through the plant and equipment accounts; that is, the cost of the property removed or replaced shall be credited to the appropriate plant and equipment accounts and the new property shall be charged thereto. (See section 13, following.)

13. **Plant and equipment retired.**—When any plant and equipment is destroyed, withdrawn, or otherwise retired from service for any cause, the cost or ledger value of the property retired shall be written off as follows:

DEBIT—

To account No. 185, "Depreciation reserve," the amount carried therein with respect to the property retired.

To account No. 135, "Materials and supplies," the value of salvage recovered from property.

To account No. 640, "Other maintenance expenses," the remainder of the cost or ledger value of property and the expense of retirement. In case an important piece of property or a considerable length of line is destroyed, withdrawn, or otherwise retired and not replaced by other property, the charge for the remainder of the cost or ledger value and the expense of retirement shall be made to account No. 195, "Surplus," instead of account No. 640, "Other maintenance expenses."

CREDIT—

To accounts for plant and equipment (Nos. 200 to 290), the amounts theretofore charged to such accounts with respect to such property.

The cost of the property, if any, installed in place of that withdrawn shall be charged to plant and equipment accounts (Nos. 200 to 280).

14. **Repairs.**—The term *repairs* as used in the texts of accounts Nos. 600, 610, and 640 includes the following:

(*a*) Testing for, locating, and clearing crosses, breaks, grounds, and other line troubles, including routine work intended to prevent such troubles, as, for example, pulling up slack, tightening guys, and resetting guy stubs, trimming trees, straightening poles and cross arms, and cleaning and adjusting apparatus;

(*b*) Replacement of minor or short-lived parts of structures, equipment, or facilities;

(*c*) Replacement of minor parts of wire plant or equipment when made necessary by faulty adjustments, excessive strains, mechanical injuries, or other minor casualties;

(*d*) Rearrangement and changes in location of plant (except subscribers' station equipment, for which a special account is provided), including rearrangement of circuits, reassociation of party lines, rearranging grouping of trunks and calling circuits, recross connecting on distributing frames, rerunning jumper wires, underlining switchboard jacks, etc., together with materials used for such purposes which do not add to the tangible value of such plant;

(*e*) Recovering salvage and removing retired or abandoned property (except subscribers' station equipment) in connection with the above work.

Such repairs are not intended to be taken into account in fixing a rate of depreciation.

15. **Cost of repairs.**—The term *cost of repairs*, as used in the texts of the various operating expense accounts, should be understood to include the wages, salaries, and fees paid employees directly engaged in the work of repairs, the personal expenses of such employees when borne by the company, the cost (including transportation) of materials and supplies consumed, and the expense of facilities employed in making the repairs, less the value of any salvage recovered. It includes also the cost of direct supervision, such as by foremen or superintendents of repair gangs, but does not include the salaries and expenses of general officers of the company.

16. **Depreciation.**—Depreciation is the decline in value of tangible property and is one of the losses of the company properly chargeable to Operating Expenses. There is certain wear and tear taking place in the property which can not be covered by current repairs, and in addition the property is likely to become obsolete or inadequate so that at some future date it must be discarded for that reason and replaced. In order to provide for the expense when the property is taken out of service or replaced, charges should be made to Operating Expenses to provide a reserve for such purpose. If this is not done the expense of replacing must be charged in bulk to Operating Expenses when the property is replaced, which would cause the company to show low operating expense in years when no reconstruction takes place and high

operating expense in years when reconstruction is performed. By providing depreciation charges the operating expense accounts will show a record of expenses from year to year more in harmony with true conditions.

The expense of depreciation may consist of—

(*a*) Losses suffered through current lessening in value from wear and tear and not covered by current repairs; for example, a switchboard may be kept in workable condition by current repairs, but at some future date it may be in such condition that replacement is necessary.

(*b*) Obsolescence or inadequacy resulting from age, new inventions, or public requirements; for example, substituting common battery for magneto system, automatic for manual system, or underground for overhead construction.

(*c*) Losses suffered through storms, floods, and other casualties.

Charges for depreciation should be based on a rule that will evenly distribute over Operating Expenses during the life of the property the original cost (less the salvage). The Commission at present does not prescribe the rate of depreciation, but leaves this matter to the discretion of the company.

The amounts estimated to cover depreciation shall be charged to operating expense account No. 630, "Depreciation of plant and equipment," and credited to balance-sheet account No. 185, "Depreciation reserve," against which shall be charged, to the extent that such charges are covered by the reserve, the expense of reconstruction or the cost or ledger value of property when retired. (See sections 12 and 13, pages 11 and 12.)

It is not required that a special fund be created by setting aside cash or other assets out of the general funds of the company for the purpose of meeting the necessary expenditures to restore the property when reconstruction becomes necessary. However, this may be done if desired, in which case the fund so created shall be carried in account No. 140, "Special funds."

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For Class C Companies.

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TEXT OF BALANCE SHEET ACCOUNTS.

For Class C Companies.

ASSET SIDE.

100. PLANT AND EQUIPMENT.

This account shall include the cost of all property, tangible and intangible, used by the company in its telephone operations and operations incident thereto, at the date of the balance sheet.

NOTE.—Separate ledger accounts shall be provided for each of the primary plant and equipment accounts (Nos. 200 to 290), and the totals of the balances of such accounts shall be carried to account No. 100 when the balance sheet is prepared.

105. OTHER PROPERTY.

This account shall include the cost of property used otherwise than in telephone operations, such as lighting, water, power, or manufacturing plants; the cost of lands and buildings not used in any of the company's operations; and similar investments.

110. SECURITIES.

This account shall include the cost or ledger value of stocks, bonds, mortgages, and other evidences of indebtedness (including notes due and payable after one year from date of issue) held by or for the company.

In stating this account on the balance-sheet statement the par value of securities issued or assumed by the company and carried in this account shall be deducted, in order that this account shall show only the cost or ledger value of securities of other companies.

115. CASH.

This account shall include the amount of cash and other current funds on hand or on deposit in banks or with trust companies. This account shall also include special deposits of cash for payment of dividends or interest, or for other purposes.

120. NOTES RECEIVABLE.

This account shall include the cost or ledger value of all notes, drafts, and other evidences of money receivable on demand or within one year from date of issue.

125. DUE FROM SUBSCRIBERS AND AGENTS.

This account shall include amounts owing to the company by subscribers and patrons for services rendered or billed; also amounts due from agents and others authorized to collect operating revenues.

130. ACCOUNTS RECEIVABLE.

This account shall include the amounts owing to the company by corporations, firms, or individuals for miscellaneous bills (other than those covering telephone and incidental services); amounts advanced to employees for working funds; dividends declared by others, but not collected; interest due and collectible on securities, mortgages, accounts, and deposits; and other items of amounts collectible.

135. MATERIALS AND SUPPLIES.

This account shall include the balances representing the cost of materials and supplies on hand.

Charge this account with the cost of materials and supplies purchased, including transportation charges. Charge also to this account the salvage value of materials and supplies recovered from plant retired and returned to stores.

Credit this account with the value of materials and supplies when used or disposed of otherwise.

NOTE.—When materials and supplies are purchased for immediate use, they need not be carried through this account, but may be charged directly to Plant and Equipment, Operating Expenses, or other accounts affected.

140. SPECIAL FUNDS.

This account shall include the amount of cash, the cost or ledger value of securities, and other assets which have been set apart and are held in depreciation funds, sinking funds, insurance funds, and other funds held for specific purposes.

In stating this account on the balance-sheet statement the par value of securities issued or assumed by the company and carried in this account shall be deducted in order to show only the net assets in the funds other than the company's own securities.

145. PREPAYMENTS.

Charge this account with the amount of rents, taxes, insurance, directory expenses, and like disbursements made in advance of the period to which they apply. As the periods covered by such prepayments expire, credit this account and charge the proper operating expense or other accounts with the amount applicable to the period.

150. OTHER DEBIT ACCOUNTS.

This account shall include all debits pertaining to the balance sheet and not provided for elsewhere, including debit items, the final disposition of which is uncertain. This account shall include such items as accrued income not due, discounts on capital stock, discounts on bonds, and similar items.

NOTE.—The entries in this account shall be made in sufficient detail to permit an analysis in the reports to the Interstate Commerce Commission and where necessary separate subaccounts shall be provided.

LIABILITY SIDE.

160. CAPITAL STOCK.

This account shall include the total par value of outstanding capital stock. In case of the issue of two or more classes of capital stock, such as common and preferred, a subaccount shall be provided for each class. If capital stock is paid for in installments, stock to be issued when fully paid, a subaccount entitled "Installments on capital stock" shall be provided, to which shall be credited the amounts of installments received by the company; when stock certificates are issued to stockholders the subaccount shall be charged and the appropriate capital stock subaccount shall be credited.

In stating this account on the balance-sheet statement the par value of stock held by the company in its treasury, in sinking or other reserve funds, or otherwise, shall be deducted, in order that this account shall show only the par value of stock held by the public.

NOTE.—If the telephone company is not incorporated but is operated by an individual, firm, copartnership, or association, accounts No. 160, "Capital stock," and No. 195, "Surplus" shall be omitted, and in lieu thereof an account entitled "Proprietor's account" shall be substituted.

165. FUNDED DEBT.

This account shall include the par value of all bonds, notes, mortgages, receiver's certificates, and other evidences of indebtedness issued or assumed by the company and which are not due and payable until after one year from date of issue. In case of the issuance of two or more classes of funded debt a subaccount shall be provided for each class.

In stating this account on the balance-sheet statement the par value of funded debt issued or assumed by the company and held by it in its treasury, in sinking or other reserve funds, or otherwise, shall be deducted, in order that this account shall show only the par value of funded debt held by the public.

170. Notes Payable.

This account shall include the par value of all notes, drafts, and other evidences of indebtedness issued or assumed by the company, and which are payable on demand or within one year from date of issue.

175. Accounts Payable.

This account shall include amounts owing to other companies, firms, and individuals and not includible in accounts Nos. 165 and 170. This account shall include miscellaneous bills unpaid, audited vouchers unpaid, dividends declared and unpaid, interest due and unpaid, and similar items.

180. Accrued Liabilities Not Due.

Credit to this account the amounts of taxes, interest, rents, and other expenses which have accrued and have been charged to operating expense or other accounts in excess of the amounts actually paid. When the payments become due this account shall be charged and the cash or other accounts affected shall be credited.

185. Depreciation Reserve.

Credit to this account the amounts which are charged monthly or annually to operating expense account No. 630, "Depreciation of plant and equipment," to cover the depreciation taking place in plant and equipment.

Charge to this account, when any plant or equipment is reconstructed or retired, the amount heretofore credited to this account in respect of the property reconstructed or retired. (See sections 12 and 13, pages 11 and 12.)

190. Other Credit Accounts.

This account shall include all credit items pertaining to the balance sheet and not provided for elsewhere, including credit items the final disposition of which is uncertain. This account shall include such items as subscribers' deposits, service billed in advance, premiums on capital stock, premiums on bonds, and reserves other than the depreciation reserve.

Note.—The entries in this account shall be made in sufficient detail to permit an analysis in the reports to the Interstate Commerce Commission and where necessary separate subaccounts shall be provided.

195. Surplus.

Under this head on the balance-sheet statement shall be shown the balance in the surplus account. In case this account shows a debit balance it shall be shown on the balance sheet in red ink. The surplus account is the difference between the total assets and total liabilities and shows the undivided surplus or the deficit of the company.

The net income (or loss) for the year as shown by the Income Account shall be transferred to this account. This account shall also be credited or charged with any adjustments affecting the asset and liability accounts and any miscellaneous gains or losses which are not attributable to the operations for the year as shown by the Income Account.

The entries to this account shall be shown in such detail as will clearly explain their purposes and show all significant facts involved.

Note.—If the telephone company is not incorporated but is operated by an individual, firm, copartnership, or association, accounts No. 160, "Capital stock," and No. 195, "Surplus," shall be omitted, and in lieu thereof an account entitled "Proprietor's account" shall be substituted.

TEXT OF PLANT AND EQUIPMENT ACCOUNTS.

For Class C Companies.

General Note Applicable to all Plant and Equipment Accounts.—Articles of small value or of short life, or articles that are likely to be lost or stolen, shall not be charged to the plant and equipment accounts but shall be charged to the appropriate operating expense accounts.

200. Intangibles.

Charge to this account the expense of organizing the company, the cost of franchises and patent rights, and the cost of other intangibles obtained by the company and used or useful in the operations of the company.

210. Land and Buildings.

Charge to this account the cost of land (other than right of way) and buildings used in telephone operations and operations incident thereto, and the cost of all permanent fixtures to such buildings.

220. Central Office Equipment.

Charge to this account the cost of local and toll switchboards and appurtenances, main and intermediate frames, relay and coil racks, interior wires and cables, power apparatus, telephone sets used in the operating and terminal rooms, and other apparatus in the operating and terminal rooms; also the cost of furniture and fixtures in the operating and terminal rooms.

230. Station Equipment.

Charge to this account the cost of equipment and apparatus on the premises of subscribers, patrons, and others.

This account shall include telephone sets, private branch exchanges, booths and fixtures, inside wiring, and other apparatus, and the cost of installation.

This account shall include the cost of telephone sets used by company's employees, other than those in the operating and terminal rooms of central offices.

240. Exchange Lines.

Charge to this account the cost of wire plant between the central office and the premises of subscribers, between central offices and pay stations, and between two central offices in the same exchange area.

This account shall include the cost of right of way, poles, underground conduits, manholes, wires, cables, and fixtures.

Note.—If lines are used for both exchange and toll service, the cost shall be charged to either account No. 240 or account No. 250, according to the principal use made of the lines.

250. Toll Lines.

Charge to this account the cost of wire plant used in the transmission of toll messages between offices in different exchange areas.

This account shall include the cost of right of way, poles, underground conduits, manholes, wires, cables, and fixtures.

Note.—If lines are used for both exchange and toll service, the cost shall be charged to either account No. 240 or account No. 250, according to the principal use made of the lines.

260. General Equipment.

Charge to this account the cost of automobiles, wagons, horses, shop machinery, tools and implements, office furniture and fixtures (other than in operating rooms and terminal rooms), and other equipment of the company not covered by accounts Nos. 220 and 230.

270. Undistributed Construction Expenditures.

Charge to this account expenditures made in the construction or acquisition of plant and equipment when such expenditures can not be assigned to any of the accounts Nos. 200 to 260.

This account includes expenditures made during the construction period for engineering and law expenses, taxes, insurance, interest, and other incidental construction items which can not properly be charged to any other plant and equipment account. When any such expenditure can be assigned to any specific item of plant or equipment it shall be charged to the account appropriate for such specific item.

280. Plant and Equipment Purchased.

When a going or completed telephone plant is purchased or constructed under contract, the cost thereof shall be charged to this account until such time as a basis may be determined upon for distribution of the cost over accounts Nos. 200 to 270.

290. Plant and Equipment in Service January 1, 1915.

To this account shall be charged the amounts carried in the company's books on January 1, 1915, representing the plant and equipment installed prior to and in service on that date, until such time as it is possible to distribute such amounts over accounts Nos. 200 to 270.

TEXT OF INCOME ACCOUNTS.

For Class C Companies.

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300. Telephone Operating Revenues.

This account shall include the total operating revenues derived from the telephone operations for the year. To this account shall be credited the total of amounts carried in the primary operating revenue accounts (Nos. 500 to 540).

310. Other Operating Revenues.

If the company conducts operations other than telephone operations, such as lighting, water, power, or manufacturing plants, the revenues accruing from such operations shall be credited to this account. This account includes the revenues from property the investment in which is carried in account No. 105, "Other property."

320. Miscellaneous Income.

Credit to this account all revenues accruing to the company other than those obtained through telephone or other operations. This account shall include—

Interest receivable from others on mortgages, bonds, notes, etc.
Dividends receivable from other companies on securities owned.
Rents receivable from plant leased to others and not used in part by the company in its telephone operations, such as an entire exchange system, an important section of pole lines, etc.
Other similar items of income.

Charge to this account any expenses incurred that are directly assignable to the revenues which are credited to this account, such as expense of maintenance of plant leased to others, expense of procuring interest and dividends, and similar charges.

330. Telephone Operating Expenses.

This account shall include the total operating expenses of the telephone operations for the year. To this account shall be charged the total amounts carried in the primary operating expense accounts (Nos. 600 to 680).

340. Other Operating Expenses.

If the company conducts operations other than telephone operations, such as lighting, water, power, or manufacturing plants, the expense of maintenance and operation shall be charged to this account. This account includes the expenses of and taxes on property the investment in which is carried in account No. 105, "Other property."

350. Taxes.

Charge this account with the amount of all taxes assessed against the telephone property, operations, or privileges of the company. Taxes paid in advance of the period to which they apply shall be charged to account No. 145, "Prepayments," and as the term expires for which the taxes apply this account shall be charged and account No. 145 shall be credited.

Taxes accrued in advance of their actual payment shall be charged to this account and credited to account No. 180, "Accrued liabilities not due." When payments become due the latter account shall be charged and the cash or other accounts affected shall be credited.

360. Interest Accrued.

Charge to this account interest on bonds, mortgages, notes, and other interest-bearing obligations, and interest on open accounts. No interest shall be charged on securities issued or assumed by the company and held by or for it.

370. Miscellaneous Charges to Income.

Charge to this account all expenses accrued or payments made which apply to the transactions of the year and which are not chargeable to Operating Expenses or to the preceding income debit accounts. This account shall include—

Rents payable for plant and equipment leased, such as an entire exchange system, an important section of pole lines, etc., but not including minor rents which are provided for in account No. 680.
Losses not properly chargeable as operating expense.
Uncollectible bills.
Other similar items.

380. Dividends Declared.

Charge this account with the amounts of dividends declared on outstanding capital stock of the company. If a dividend is payable in anything other than money, such thing shall be fully described in the entry. No dividends shall be charged on capital stock issued by the company and held by or for it.

TEXT OF OPERATING REVENUE ACCOUNTS.

For Class C Companies.

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500. EXCHANGE REVENUES.

Credit to this account all revenues accrued from the transmission of local messages within the same exchange area. An *exchange area* is the area referred to and usually described in contracts with subscribers as that within which local service is furnished at rates specified in such contracts. This account shall include—

Rentals from subscribers for local and rural service.
Rentals from private branch exchanges.
Charges for extension stations and extension bells.
Charges for extra mileage in circuits to subscribers' stations.
Charges for extra directory insertions.
Installation and cancellation charges when billed against subscribers.
Revenues from public pay stations for calls within the exchange area.
Charges for switching calls for farmer lines.
Rents from attachments to exchange poles, and other rents for exchange property.
Other revenues accruing from exchange operations.

Charge to this account discounts allowed to subscribers for prompt payment, corrections of overcharges, authorized refunds on account of failures in transmission, and other corrections affecting exchange revenues.

510. TOLL REVENUES.

Credit to this account all revenues derived from the transmission of messages between points in different exchange areas. This account shall include—

Revenues from messages transmitted wholly over the company's lines between points in different exchange areas, whether from subscribers or pay stations.
Company's proportion of revenues on messages transmitted partly over the company's lines and partly over lines of other companies (sometimes termed *mileage*).
Commissions allowed the company by others for switching or handling toll messages within the exchange area or for originating such messages.
Rents from toll lines leased to brokers or others, including telegraph companies.
Rents from attachments to toll poles, and other rents from toll property.
Other revenues accruing from toll-line operations.

Charge to this account corrections of overcharges, authorized refunds on account of failures in transmission, and other corrections affecting toll revenue.

520. MISCELLANEOUS REVENUES.

Credit to this account all revenues accrued from telephone operations other than those provided for in accounts No. 500, "Exchange revenues," and No. 510, "Toll revenues." This account shall include—

Revenues from messenger service.
Revenues from advertisements in directories.
Charges to telegraph companies for making collections and for other services (not transmission charges).
Rents from property used in part in the company's telephone operations other than those provided for in accounts Nos. 500 and 510, such as rent of offices, storerooms, and teams.
Profit on sales of materials and supplies.
Other miscellaneous operating revenues.

530. Licensee Revenues—Cr.

When a telephone company grants to another telephone company the use of its patents or furnishes instruments and equipment and general supervision under an agreement for apportioning the revenues of the licensee, the proportion accruing to the licensor shall be credited by the licensor in this account.

540. Licensee Revenues—Dr.

When a telephone company is granted by another telephone company the use of its patents, or is furnished instruments and equipment and general supervision under an agreement for apportioning the revenues of the licensee, the proportion accruing to the licensor shall be charged by the licensee in this account.

TEXT OF OPERATING EXPENSE ACCOUNTS.

For Class C Companies.

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600. Repairs of Wire Plant.

Charge to this account the cost of repairs of all exchange wire plant and toll wire plant, such as poles, conduits, manholes, wires, cables, and fixtures. (See section 14, page 12.)

610. Repairs of Equipment.

Charge to this account the cost of repairs of central office equipment and station equipment, whether in the central office operating rooms and terminal rooms or on subscribers' premises, such as switchboards, main and intermediate frames, relay and coil racks, interior wires and cables, power apparatus, telephone sets, private branch exchanges, and booths and fixtures; also furniture and fixtures in central office operating and terminal rooms. (See section 14, page 12.)

620. Station Removals and Changes.

Charge to this account the cost of removing or changing the location of station equipment.

When stations are removed (not merely changed in location) the original cost of the instruments and the cost of installation (estimated if not known) shall be credited to account No. 230, "Station equipment"; the value of the instruments and other material recovered shall be charged to account No. 135, "Materials and supplies"; and the cost of removing, the original installation cost, and any loss of material, such as the cost of interior wire not recovered, shall be charged to this account.

When stations are changed from one location to another, charge this account with the cost of moving. Credit this account with amounts charged to subscribers for moves and changes.

630. Depreciation of Plant and Equipment.

Charge to this account monthly or annually the estimated amount of depreciation accruing in the plant and equipment. (See section 16, page 12.)

640. Other Maintenance Expenses.

Charge to this account the cost of repairs of land, buildings and fixtures, automobiles, wagons, tools and implements, and office furniture and fixtures; also other maintenance expense not provided for in the repair accounts. (See section 14, page 12.)

When any plant or equipment is destroyed, withdrawn, or otherwise retired from service for any cause this account shall be charged with such portion of the cost or ledger value of such property (less salvage) as has not been provided for in account No. 185, "Depreciation reserve." (See section 13, page 12.)

650. Operators' Wages.

Charge to this account the pay of chief operators, supervisors, local and toll switchboard operators, information operators, and all other operators employed in central offices; also pay of operators at pay stations.

660. Other Traffic Expenses.

Charge to this account the cost of power purchased, cost of labor and supplies in operating power plant, cost of renewing batteries, pay and expenses of messengers, and other expenses in connection with the operations of central offices and public pay stations.

670. General Office Salaries.

Charge to this account the salaries of general officers of the company and the salaries of other officers and employees whose salaries are not chargeable to any of the preceding expense accounts.

680. Other General Expenses.

Charge to this account all general expenses other than general office salaries. This account shall include the cost of—

Office supplies and expenses.
Stationery and printing (including postage).
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Supplies; for power plant operation, 660; for offices, 680. (See also Materials and supplies.)
Surplus account, balances in, 195.
Switchboards; investment, 220; repair expense, 610; wages of operators, 650.
Switching revenues; exchange switching for farmer lines, 500; switching of toll messages, 510.

Taxes; asset balances of prepayments, 145; unpaid accrual balances, 180; taxes assignable to investment, 270; on property not used in telephone operations, 340; on telephone property, operations, and privileges, 350.
Teams, revenue from rent of, 520.
Telegraph companies; rents from lines leased to, 510; charges for collections made for, 520.
Telephone sets; investment in central office sets, 220; investment in station sets, 230; repair expense, 610. (See also Instruments, Stations.)
Terminal room equipment; investment, 220; repair expense, 610.
Testing for troubles, repair charges for, xiv.
Toll lines; investment, 250, 250 note; rents from lease of, 510; repair expense, 600.
Toll systems; allocation of items to, iii; definition of, iii; revenue from, 510.
Tools; investment, 260; repair expense, 640.
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Transportation costs; inclusion in cost of materials and supplies, ix, 135; inclusion in cost of repairs, xv.
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Vouchers audited, liability balances for, 175.

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Water plants not used in telephone operations; investment, 105; revenues, 310; maintenance and operation, 340.
Wear and tear, depreciation charges for, xvi.
Wire plant; reconstruction costs for, xii; exchange plant investment, 240; toll plant investment, 250; repair expense, 600.
Wires; repair charges for correcting troubles, xiv; repair charges for rearranging, xiv; interior wiring investment, 220, 230; outside wiring investment, 240, 250; repair of outside wiring, 600; repair of interior wiring, 610; interior wire abandoned in removals, 620.
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APPENDIX.

BOOKKEEPING SYSTEM.

Suggested for Small Telephone Companies.

The bookkeeping system here described is suggested for the use of small telephone companies. It is offered as an aid in the keeping of a set of books that will meet the accounting needs of such companies, and that, in the case of those companies subject to the jurisdiction of the Interstate Commerce Commission, will comply with the requirements contained in the Uniform System of Accounts prescribed for them by the Commission. The use of this bookkeeping system, in whole or in part, is not obligatory, and companies may adopt, for the present, any other bookkeeping system desired by them if the one chosen will produce the results required by the System of Accounts.

GENERAL INSTRUCTIONS.

Double entry.—The double-entry method should be used in keeping the accounts of a company. The essential principle of double-entry bookkeeping is that for every debit there must be a corresponding credit. Care should be taken to distinguish between debits and credits representing assets and liabilities and those representing revenues and expenses. The former are called balance-sheet accounts, and, taken together, present a statement of the condition of a company's business at any given time. The latter cover the operations of a company and at the end of the year are closed through the income accounts into balance-sheet account No. 195, "Surplus."

ACCOUNTING FORMS.

Record forms.—Printed forms of several kinds are suggested for use in keeping accounting records. The use of each form is explained separately under its proper head and model forms are given with certain entries thereon to indicate further their use. The full list of suggested forms is as follows:

Form 1.—General ledger.
Form 2.—Subscribers ledger.
Form 3.—Cash-journal.
Form 4.—Voucher record.
Form 5.—Voucher.
Form 6.—Subvoucher.
Form 7.—Check.
Form 8.—Subscriber's bill.
Form 9.—Daily work report.
Form 10.—Payroll.
Form 11.—Stock record.

The copies of the recommended forms, as given herewith in reduced size, show the headings and arrangement of columns. Italic letters to indicate specific columns are inserted to permit reference thereto in the explanatory text, but these letters form no necessary part of the forms.

The forms here described are considered necessary for proper accounting by small companies. It may be desirable to use additional forms or expand the forms here suggested, in order to provide additional information or to meet local conditions. It may be said also that the forms here suggested are intended merely for the accounting needs of the companies, and that other forms will probably be needed to show location and kinds of plant, records of traffic conditions, employees' records, and other statistical information.

General ledger (Form 1).—The ledger is a general record in which items are assembled in the respective accounts to which they relate. It presents a summary of all

business transactions classified under appropriate heads. For each debit made to an account in the ledger a corresponding credit should be made to some other account, and for each credit entry a corresponding debit should be made. All entries made in the general ledger should come from the cash-journal.

Ledger accounts should be provided for each of the balance-sheet accounts which may be applicable to the company's business. Where the title and definition of a balance-sheet account clearly indicate that it is a summary of other ledger accounts it is not necessary that a distinct ledger account be provided for the summary. For example, account No. 100, "Plant and equipment," is a summary of accounts Nos. 200 to 290, inclusive; therefore, since ledger accounts are provided for accounts Nos. 200 to 290, it is not necessary to provide on the books an account for No. 100. Ledger accounts should be similarly provided for each of the plant and equipment, income, operating revenue, and operating expense accounts in so far as the business requires.

Subscribers ledger (Form 2).—The subscribers ledger is a book of original entry. It should contain a complete record of all revenues accruing from subscribers and other patrons for services, as well as a record of collections made.

When a telephone is installed the information called for by columns *a* to *e* and column *g* should be entered immediately. The revenue due for each month should be entered monthly in columns *i* to *k* and the total extended to column *l*. At the end of the month the columns *i* to *l* should be footed and an entry should be made in the cash-journal to cover (see entry No. 2) the totals of columns *i*, *j*, and *k*. As the collections are made they should be posted in columns *m* and *n*. The total of such collections for each day, or for the period for which settlements are made with collectors, should be covered by an entry in the cash-journal (see entry No. 3).

If any allowances are made on account of failures in service, or for any other lawful reasons, the amount allowed in each case should be entered in column *o*, "Allowances." The total of such allowances for each month should be charged by entry in the cash-journal to the revenue account (No. 500, 510, or 520) to which they relate and credited to account No. 125, "Due from subscribers and agents." (See entry No. 4.)

When service is paid for in advance the full amount of the payment should be entered in column *n*, "Paid—Amount," and the balance applicable to future months should be carried forward in red ink to the next succeeding month in column *p*, "Balance due." If this balance, as brought forward, is more than enough to cover the month's bill, a red-ink entry should be made of the amount due subscriber in column *l*, "Total due," and a like amount carried to column *p* of the next month and so on until the prepayment is exhausted. (See fifth item on Form 2.)

Great care should be exercised in posting the subscribers ledger, and the totals should be drawn off each month and proved. This may be done by taking off the totals as follows:

Debit balance at beginning of month (black-ink entries in column *h*)		$26.75
Exchange (column *i*)		24.00
Tolls (column *j*)		6.00
Miscellaneous (column *k*)		1.00
Total		57.75
Less:		
Credit balance at beginning of month (total of red-ink entries in column *h*)	$7.00	
Amount paid (column *n*)	32.45	
Allowances (column *o*)	3.25	
Total		42.70
Difference		15.05

The difference should equal the difference between the total debits and total credits carried forward in column *p* for the next month.

The form of subscribers ledger is designed for companies assessing and collecting revenues monthly. If revenues are assessed quarterly or by any period other than monthly the ledger may be prepared to fit the particular case.

Cash-journal (Form 3).—The cash-journal is a combination of the cash book and the journal and in it are recorded all the transactions which are later posted to the general ledger.

The first three columns (*a*, *b*, and *c*) are intended for debits and the last three columns (*d*, *e*, and *f*) are intended for credits. Following the principle of double-entry bookkeeping, for each debit entered in any one or all of the first three columns there should be an equal credit entry in any one or all of the last three columns.

In column *a*, "Cash," should be entered the amount of all cash received. This may be done for each item of cash received, or, if a proper supplementary record is kept, it may be posted by totals. For example, if the collections as received are posted in the subscribers ledger, the collections for the day, or other period for which settlement is made with collector, may be posted in one entry in the cash-journal.

In column *b*, "Accounts payable," should be entered the amounts of checks issued in payment of vouchers, a corresponding credit entry being made in column *f*, "Cash." Such items may be entered individually or by days or other periods.

In column *c*, "Sundries," should be entered all other debits. This will include the debit side of adjusting entries, and other entries not covered by cash or vouchers, such as depreciation charges, accruals of taxes, accruals of interest, etc.

The column marked ✓ is the posting column. In it should be entered the number of the page in the general ledger in which the item is posted, or a check mark should be made to show that nothing has been omitted, as in the case of posting from totals of columns *a*, *b*, *e*, and *f*. In column headed "Particulars" should be entered sufficient detail to explain fully every transaction.

In column *d*, "Sundries," should be entered all credits excepting those provided for by columns *e* and *f*. In the usual cases these entries will be the corresponding credits for the debits entered in column *c*.

In column *e*, "Due from subscribers and agents," should be entered all amounts collected on accounts carried in the subscribers ledger (Form 2), corresponding debits being entered in column *a*, "Cash." These items may be entered individually, but it is preferable that they be entered daily or for some other period. For the purpose of accounting for the collections by days or other periods, stubs to the subscribers' bills or daily or periodical statements of collections may be used.

The items in columns *c* and *d*, "Sundries," should be posted individually to the debit or credit of the general ledger accounts affected. They may be posted from time to time during the month, or at the end of the month.

The totals of columns *a* and *f* should be posted monthly to the debit and credit sides, respectively, of general ledger account No. 115, "Cash." The total of column *b*, "Accounts payable," should be debited monthly to general ledger account No. 175, "Accounts payable." The total of column *e*, "Due from subscribers and agents," should be credited monthly to general ledger account No. 125, "Due from subscribers and agents."

The entries in the cash-journal are to be made daily in the order in which they occur. The cash-journal is to be footed and closed out at the end of each month and started anew at the beginning of the next month.

If the books have not heretofore been kept by the double-entry system and if a more correct record is not at hand an appraisal should be made of all the assets and liabilities, including the plant and equipment. A statement based on the assets and liabilities should be prepared from such appraisals or records obtainable and the difference between the total assets and the total liabilities should be carried to account No. 195,

"Surplus." An opening entry should be made in the cash-journal based on such statement. Entry No. 1 on the cash-journal is given as an example of such an entry.

Voucher record (Form 4).—The voucher record is designed for the keeping of a complete record of all obligations incurred and of disbursements made, without the keeping of a separate ledger account with each creditor. It also provides an easy method of making charges to the accounts affected.

All vouchers should be entered on the voucher record in numerical order in the month in which the voucher is made, regardless of whether it is the intention to pay them during the month or at a later date.

The total amount of the voucher should be included in column "Amount of voucher" and distributed over the various columns according to the headings of the columns. Separate columns are provided for the operating expense accounts, the plant and equipment accounts, and other accounts which may be used frequently. A miscellaneous column is provided for entries to accounts which are not often used. The voucher record should be footed monthly and an entry should be made in the cash-journal (see entry No. 5).

As checks are issued in payment of vouchers they should be entered in the voucher record in the column "Paid." As the total of vouchers issued will be posted through the cash-journal to the credit of account No. 175, "Accounts payable," and as the total of the checks issued are debited to the same account, the balance in this account in the general ledger should show, when the postings are made, the amount of vouchers unpaid. A possible exception to the foregoing may be the amounts carried to account No. 175 when the books of the company are opened, for which amounts no vouchers may have been issued (see entry No. 1 on Form 3).

Voucher (Form 5).—Vouchers should be made to cover all expenditures of moneys. They should be prepared as soon as purchases are made or expenses are incurred. The voucher should show all the information called for on the form. In the column headed "Particulars" should be entered sufficient detail to explain fully the purpose for which the voucher is issued, excepting that where the original invoice, bill, or other supporting papers give the full information, the explanation on the voucher may be given briefly. On the back of the form, in the space provided for "Distribution," the amount of the voucher should be distributed over the accounts affected, in accordance with the System of Accounts. The printed form shows the accounts frequently used and has blank spaces for filling in with titles of other accounts.

The vouchers should be numbered consecutively, commencing with No. 1 each year, and should be filed in numerical order. The invoices, subvouchers, payrolls, etc., supporting the vouchers should be securely attached to and filed with the vouchers. Each voucher should have attached to it the papers supporting it or should have full information thereon.

It is not necessary that a separate voucher be made for each invoice, etc. If payment covering several invoices, etc., is to be made to a single person or company, the amounts may be combined on one voucher.

Subvoucher (Form 6).—This form is provided for taking receipts for moneys paid out in advance of the issuance of the regular voucher. It should be used to record amounts paid by foremen and workmen for meals, team hire, purchase of minor materials and supplies; for amounts paid out by exchange managers, cashiers, et al., from petty cash funds; and like expenditures.

The subvouchers should be accumulated each month and vouchers (Form 5) to cover should be issued in favor of the manager, cashier, foreman, or other employee who paid out the moneys. The subvouchers should be attached to the vouchers as evidence of the purposes for which the moneys have been expended.

Check (Form 7).—The check is in the form of the usual commercial bank check. A special form may be adopted but the usual form of check will answer the purpose.

The vouchers are issued and put through the books as soon as any bill or expense accrues. Checks should be issued as the vouchers are paid. A separate check may be issued for each voucher or, when two or more vouchers are issued for the same person, one check may be issued for the total amount of the vouchers. If employees are paid by check, the requisite number of checks may be issued for the one voucher covering the payroll.

An entry covering the checks issued should be made in the cash-journal, charging account No. 175, "Accounts payable," and crediting account No. 115, "Cash." Separate entries may be made for each check, or entries may be made for the totals by days or other periods. (See entry No. 6 on Form 3.)

Subscriber's bill (Form 8).—This is a form of bill to be made to subscribers showing charges for exchange, toll, and other services. The subscribers ledger should be first posted and the bills prepared from the subscribers ledger.

The toll charges should be listed on the back of the bill and the total transferred to the space provided on the face of the bill. Messenger service, telegrams, and other charges may be included on the blank line on face of the bill. If desired, separate bills may be provided for exchange and for toll service.

The bill may be provided with a stub to be detached when bill is paid and used for posting, or posting may be made from the collector's or cashier's reports of collections.

Daily work report (Form 9).—In order to distribute properly the pay of employees which is chargeable to various accounts and to account properly for materials and supplies used, it is necessary to keep a record of the time devoted to and the materials and supplies used on particular jobs. This is especially desirable when an employee devotes part of his time to construction, the cost of which is chargeable to Plant and Equipment, and part to repair work, which is chargeable to Operating Expenses. Form 9 may be used by a small company employing one man to do practically all the work, or, if desirable, in such cases the time may be distributed on an estimated basis. The daily work reports may be used as a basis for preparing the payrolls and for distributing the pay of employees on the vouchers covering the payrolls. (See payroll, Form 10.)

The materials and supplies shown on the work reports should be tabulated at the end of each month and an entry made in the cash-journal crediting account No. 135, "Materials and supplies," and charging the accounts benefited. (See entry No. 7 on Form 3.)

Payroll (Form 10).—The payroll is provided for recording the salaries and wages of all employees, however employed. This form of payroll is provided for companies making payments semimonthly. In case payments are made by other periods the form should be amended to suit the conditions. Vouchers should be prepared to cover the total of the payrolls for each period, and the expense should be distributed to the various accounts on the voucher. The distribution may be made direct from the payroll when practicable, but if the employee's time is split up among various classes of work it will be necessary to prepare the distribution from the daily work reports (Form 9).

If payment is made by check, separate checks should be issued for each employee. If payment is made in cash, the voucher can be drawn in favor of the paymaster or cashier and one check issued in his favor for the entire amount. (See voucher No. 4 on Form 4.)

The employee's receipt for pay may be obtained on the payroll in space provided for that purpose or a separate receipt from each employee may be taken on a subvoucher (Form 6). If the latter plan is adopted, the subvouchers should be filed with the payroll and voucher.

Stock record (Form 11).—This form is designed to keep a record of materials and supplies on hand, by quantities and values. A separate record should be kept for each commodity.

When purchases are made they should be recorded under "Received" and the unit cost of each item should be extended in column "Unit cost." When materials and supplies are recovered from plant and returned to stock they should be also entered under "Received" and the value thereof should be shown under "Cost" and "Unit cost." In column "Reference" should be shown the number of the voucher covering the purchase or the record covering the materials and supplies returned to stock.

At the end of each month the materials and supplies used during the month, as shown on the daily work report (Form 9), should be summarized and values based on the unit cost should be assessed for each commodity. The total of each commodity by quantities and value should be entered on Form 11 under "Issued." There should also be entered thereunder the quantities and values of materials and supplies sold or disposed of otherwise.

As the total cost of materials and supplies purchased and those returned to stores is charged to account No. 135, "Materials and supplies," and the total value of materials and supplies used or otherwise disposed of is credited to account No. 135, the balance in account No. 135 should equal the value of the various materials and supplies on hand as shown by the stock record.

EXPLANATION OF AND EXAMPLES SHOWING THE TREATMENT OF CERTAIN MATTERS IN THE BOOKS OF THE COMPANY.

Depreciation.—Assuming that the ledger value of plant and equipment is $60,000, and that a rate of depreciation of 8 per cent per annum is determined upon, the annual charge for depreciation would be $4,800, and the monthly charge one-twelfth or $400. The following entry should be made monthly on the cash-journal:

630. Depreciation of plant and equipment	$400	
To 185. Depreciation reserve		400
For one-twelfth of estimated depreciation on plant and equipment at 8 per cent per annum.		

The amounts credited to account No. 185, "Depreciation reserve" should remain in that account until charged out for reconstruction or for retirements of plant and equipment.

Reconstruction.—When reconstruction as defined in section 12, page 11, of the System of Accounts is performed, the cost thereof should be charged to account No. 185, "Depreciation reserve," to the extent that provision shall have been made for such expense in previous credits to the reserve.

For example, if an exchange pole line is reconstructed at a cost of $750, with salvage recovered amounting to $50, the cost of reconstruction should be charged as follows:

185. Depreciation reserve	$700	
135. Materials and supplies		50

The charge to the reserve is based on the assumption that depreciation has been set up on the pole line since it was originally installed.

If, however, the depreciation has not been provided for during the entire life of the pole line and it is estimated that the reserve contains $300 on account of that property, the expense should be distributed as follows:

185. Depreciation reserve	$300	
600. Repairs of wire plant	400	
135. Materials and supplies		50

If reconstruction shall not have been provided for by credits to the reserve the entire cost should be charged to the appropriate operating expense account.

Retirements of plant and equipment.—Assuming that a switchboard originally installed at a cost of $1,000 is retired from service, that the old switchboard is sold for

$150, and that the cost of removing the switchboard is $20, the entry in the cash-journal should be as follows:

185. Depreciation reserve	$850	
130. Accounts receivable (or Cash)	150	
To 220. Central office equipment		$1,000
For switchboard in Rockville central office retired.		

A voucher should be issued covering the cost of removing ($20) and charged to account No. 185, "Depreciation reserve." The above charges to the reserve are based on the assumption that depreciation shall have been set up on the switchboard since it was originally installed.

If, however, the depreciation has not been provided for during the entire life of the switchboard and it is estimated that the reserve contains $340 on account of that property, the cash-journal entry should be as follows:

185. Depreciation reserve	$340	
640. Other maintenance expenses	510	
130. Accounts receivable	150	
To 220. Central office equipment		$1,000

The voucher covering the cost of removing ($20) should be charged to account No. 640, "Other maintenance expenses."

Accruals of taxes, interest, rents, etc.—One of the principal purposes of correct accounting is to spread equitably over a period of time the expenses properly applicable to the whole period, instead of showing the entire amount of the expense in the month or year in which it is paid. This is especially desirable where the accounts are closed each month. In order to take care of such expenses, it is necessary to charge to Operating Expenses each month the proper proportion (estimated, if not known) of such expense, and to carry a corresponding amount in a balance-sheet account until the payment is made. Assuming that the taxes for the year are estimated as $100, an entry should be made in the cash-journal monthly as follows:

350. Taxes	$8.33	
To 180. Accrued liabilities not due		$8.33
To one-twelfth of estimated taxes for the year.		

When the taxes are paid, a voucher should be issued and charge should be made to account No. 180, "Accrued liabilities not due." (See voucher No. 5 on Form 4.)

Prepayments.—When payment of expense is made in advance of the period to which it applies, it is necessary that arrangement be made for charging in each month or period the proper proportion. For instance, if an insurance premium amounting to $240 is paid on a policy running two years into the future, the payment should be treated in the manner following:

When the premium is paid, a voucher should be issued and the whole amount charged to account No. 145, "Prepayments" (see voucher No. 6 on Form 4). Each month an entry should be made in the cash-journal as follows:

680. Other general expenses	$10	
145. To Prepayments		$10
For insurance for month of January, 1915.		

At the end of the period the entire amount charged to account No. 145, "Prepayments," under this method will have been credited to that account and charged to the operating expense accounts.

Petty cash fund.—It may be necessary at times to make immediate cash payments for sundry accounts prior to the issuance of the regular voucher and check. Such payments may be handled through a petty cash fund. To create such a fund, voucher for whatever amount is considered sufficient should be made in favor of the cashier

or other person who is to make the payments. The amount of this voucher should be charged on the voucher record to account No. 130, "Accounts receivable" (see voucher No. 7 on Form 4), and a subaccount should be opened in the name of the cashier. This account should stand at that amount until it becomes necessary to increase the amount, when an additional voucher should be issued, or to decrease it, when an entry should be made in the cash-journal.

As moneys are paid out by the cashier, receipts should be taken on subvoucher (Form 6) and a voucher should be put through monthly to reimburse the cashier for money disbursed during the month. This method may be used also when funds are advanced to agents, foremen, and others.

Telephone installations, take-outs, and moves.—It is important that the investment in plant and equipment as shown by accounts Nos. 200 to 290 be kept at the correct figures. The system of accounts contemplates that when new telephones are installed the cost of the instrument, etc., plus the cost of installation, shall be charged to account No. 230, "Station equipment." When telephones are taken out, the cost of the instrument, plus the cost of original installation, shall be credited to account No. 230, "Station equipment"; and when telephones are moved from one location to another, the cost of moving shall be charged to account No. 620, "Station removals and changes." This will insure the correctness of the plant and equipment accounts, which should include the cost of the telephones in use. When telephones are taken out it may be difficult to ascertain the original installation cost. This cost may be handled on averages, and a simple method of treatment is as follows:

Charge or credit account No. 230, "Station equipment," and credit or charge account No. 135, "Materials and supplies," with the value of all instruments installed or removed (not merely changed in location). Charge account No. 620, "Station removals and changes," with the cost of all installations and take-outs (not including value of instruments), and cost of all moves in location.

At the end of the year make an entry in the cash-journal, charging account No. 230, "Station equipment," and crediting account No. 620, "Station removals and changes," with such portion of the amount charged to account No. 620 during the year as the increase in the number of telephones in service at the end of year bears to the total number of installations, take-outs, and moves during the year.

For example, if during the year there were 200 new telephones installed, 50 taken out, and 100 moved at a total expense of $1,125, there would be, by counting the moves as two operations—

Installations	200 operations.
Take-outs	50 operations.
Moves	200 operations.
Total	450 operations.

The net increase in the number of telephones in use being 150, which is one-third of the total operations, one-third of the total expense, or $375, should be charged to account No. 230 and credited to account No. 620 by an entry in the cash-journal at the end of the year. The method may be used only when the number of telephones in use increases from one year to the next.

Form 1.—General Ledger.

ACCOUNT NO. ------

DEBIT.				CREDIT.			
Date.		Folio.	Amount.	Date.		Folio.	Amount.

Form 2.—Subscribers Ledger (left page).

HOME TELEPHONE COMPANY.

SUBSCRIBERS LEDGER.

Account (or telephone) number.	Name of subscriber.	Address.	Service.	Date installed.	Date removed.	Rate per month.	January.								February.							
							Bal. due.	Exch.	Toll.	Miscl.	Total due.	Paid.		Allowances.	Bal. due.	Exch.	Toll.	Miscl.	Total due.	Paid.		Allowances.
												Date.	Amount.							Date.	Amount.	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)	(s)	(t)	(u)	(v)	(w)
316			Res.			2.00		2.00			2.00	1/12	2.00									
422			Bus.			2.50	3.50	2.50	.50		6.50	1/4	6.00		.50							
537			Res.			2.00		2.00			2.00			2.00								
693			"			2.00		2.00	.65	.10	2.75			.75	2.00							
782			Bus.			2.50	*5.00	2.50	1.00		*1.50				*1.50							
793			2 Pty.			1.75	4.00	1.75	1.00	.20	6.95	1/25	5.45	.50	1.00							
854			"			1.75	7.00	1.75	.50		9.25	1/6	10.00		*.75							
861			Bus.			2.50	.25	2.50	2.00	.60	5.35				5.35							
945			Res.			2.00	*2.00	2.00														
960			Bus.			2.50	9.00	2.50	.35	.10	11.95	1/15	9.00		2.95							
981			"			2.50	3.00	2.50			5.50				5.50							
	Totals						†19.75	24.00	6.00	1.00	†50.75		32.45	3.25	†15.05							

* Figures in italics indicate entry in red ink.

† The totals of columns *h*, *l*, and *p* are net amounts or differences between the total black ink entries and the total red ink entries in the respective columns.

NOTE.—The above form is ruled for the left-hand page and covers the months January and February. The right-hand page (the reverse side of this) may be ruled to cover the months September to December, inclusive, and a short page, three months on each side, inserted to cover the months March to August, inclusive. This arrangement makes it possible to post a year's business without rewriting the names of subscribers.

HOME TELEPHONE COMPANY.

CASH-JOURNAL.

DEBITS. MONTH OF JANUARY, 1915. CREDITS.

Cash.	Accounts payable.	Sundries.	✓	Particulars.	Sundries.	Due from subscribers and agents.	Cash.
(a)	(b)	(c)		Jany 1. (Entry No. 1.)	(d)	(e)	(f)
				The Home Telephone Company opens these books with the following assets and liabilities:			
				Assets.			
		18,000 00		290. Plant and equipment in service Jan'y 1, 1915.			
		450 00		115. Cash.			
		300 00		125. Due from subscribers and agents.			
		500 00		135. Materials and supplies.			
				Liabilities.			
				160. Capital stock.	16,000 00		
				170. Notes payable.	750 00		
				175. Accounts payable.	400 00		
				195. Surplus.	2,100 00		
				(Date) (Entry No. 2.)			
		31 00		125. Due from subscribers and agents.			
				To 500. Exchange revenues.	24 00		
				510. Toll revenues.	6 00		
				520. Miscellaneous revenues.	1 00		
				For revenues for month of Jan'y, 1915.			
				(Date) (Entry No. 3.)			
32 45				115. Cash.			
				To 125. Due from subscribers and agents.		32 45	
				For collections of charges for Jany, 1915.			
				(Date) (Entry No. 4.)			
		2 50		500. Exchange revenues.			
		65		510. Toll revenues.			
		10		520. Miscellaneous revenues.			
				To 125. Due from subscribers and agents.		3 25	
				For refunds on acct. of failures in service.			
				(Date) (Entry No. 5.)			
		21 00		600. Repairs of wire plant.			
		20 00		610. Repairs of equipment.			
		10 00		620. Station removals and changes.			
		5 00		640. Other maint. expenses.			
		35 00		650. Operators' wages.			
		75 00		670. General office salaries.			
		20 00		680. Other general expenses.			
		25 00		135. Materials and supplies.			
		15 00		220. Central office equipment.			
		20 00		230. Station equipment.			
		11 00		240. Exchange lines.			
		50 00		130. Accounts receivable.			
		240 00		145. Prepayments.			
		100 00		180. Accrued liabilities not due.			
				To 175. Accounts payable.	647 00		
				For vouchers for month of Jan'y, 1915.			
				(Date) (Entry No. 6.)			
	627 00			175. Accounts payable.			
				To 115. Cash.			627 00
				For cash paid out Jany. 1 to Jany. 15 incl., as per check stubs.			
				(Date) (Entry No. 7.)			
		20 00		230. Station equipment.			
		15 00		240. Exchange lines.			
		10 00		600. Repairs of wire plant.			
		15 00		610. Repairs of equipment.			
				To 135. Materials and supplies.	60 00		
				For material used from stock during month of January, 1915.			

Form 4.—Voucher Record (left page).

HOME TELEPHONE COMPANY

Date.	Voucher number.	In favor of—	Issued for—	Paid. Date.	Paid. Check No.	Amount of voucher. Credit acct. 175, Accounts payable.	Operating expenses. 600 Repairs of wire plant.	610 Repairs of equipment.	620 Station removals and changes.	630 Depreciation of P. and E.	640 Other maint. expenses.	650 Operators' wages.	660 Other traffic expenses.	670 General office salaries.	680 Other general expenses.
Jan. 1	1	Smith Supply Co.	Hardware,	1/15	100	25.00									
1	2	George Brown.	Rent of office.			20.00									20.00
1	3	Edw. Fox.	Hire of teams.	1/15	101	12.00	6.00								
15	4	W. T. Hall, cashier.	Payroll for Jany 1 to 15, inc.	1/15	102	200.00	15.00	20.00	10.00		5.00	35.00		75.00	
15	5	A. T. Johnson.	Taxes for year 1914.	1/15	103	100.00									
15	6	Natl. Fire Ins. Co.	Premium on insurance policy for years 1915 and 1916.	1 15	104	240.00									
15	7	W. T. Hall, cashier.	For working fund.	1 15	105	50.00									
			Totals. *			647.00	21.00	20.00	10.00		5.00	35.00		75.00	20.00

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* See entry No. 5 in Form 3.

Form 4.—Voucher Record (right page).

VOUCHER RECORD.

Month of January, 1915.

Plant and equipment. 200 Intangibles.	210 Land and buildings.	220 Central office equipment.	230 Station equipment.	240 Exchange lines.	250 Toll lines.	260 General equipment.	270 Undistributed con. expd.	280 P. and E. purchased.	135 Materials and supplies.	185 Depreciation reserve.	Miscellaneous. Acct. No.	Account.	Amount.
									25.00				
				6.00									
		15.00	20.00	5.00							180	Accrued liabilities not due.	100.00
											145	Prepayments.	240.00
											130	Accounts receivable.	50.00
		15.00	20.00	11.00					25.00				390.00

Form 5.—Voucher (face).

HOME TELEPHONE COMPANY.

VOUCHER.

IN FAVOR OF .....

ADDRESS .....

VOUCHER NO. .....

MONTH OF. . . . .191..

PAID BY CHECK NO. .....

DATE OF CHECK .....191..

Date.	Particulars.	Amount.

Correct: .....

Approved for payment: .....

Correct: .....

Form 5.—Voucher (back).

HOME TELEPHONE CO.

Voucher No..... Month of... 191..

IN FAVOR OF

.....

.....

Amount.....

Distribution.

Account.	Amount.
OPERATING EXPENSES.	
600. Repairs of wire plant	
610. Repairs of equipment	
620. Station removals and changes	
630. Depreciation of plant and equip.	
640. Other maint. expenses	
650. Operators' wages	
660. Other traffic expenses	
670. General office salaries	
680. Other general expenses	
PLANT AND EQUIPMENT.	
200. Intangibles	
210. Land and buildings	
220. Central office equipment	
230. Station equipment	
240. Exchange lines	
250. Toll lines	
260. General equipment	
270. Undistributed const'n exp'dr's	
280. Plant and equip. purchased	

Distribution—(continued)

Account.	Amount.
BALANCE SHEET ACCTS.	
105. Other property	
110. Securities	
135. Materials and supplies	
145. Prepayments	
150. Other debit accounts	
70. Notes payable	
80. Accrued liabilities not due	
185. Depreciation reserve	
190. Other credit accounts	
INCOME ACCOUNTS.	
310. Other operating revenues	
320. Miscellaneous income	
340. Other operating expenses	
350. Taxes	
360. Interest accrued	
370. Miscellaneous chgs. to income	
380. Dividends declared	
OPERATING REVENUES.	
500. Exchange revenues	
510. Toll revenues	
520. Miscellaneous revenues	
530. Licensee revenues—Cr.	
540. Licensee revenues—Dr.	

Form 6. Subvoucher.

(Place) ....., (Date) ....., 191..

HOME TELEPHONE COMPANY.

To ..... Dr.

Particulars.	Amount.
Total	

Received of the Home Telephone Company,

..... Dollars, in full for above account

(Date) ..... (Signature) .....

Correct,
(Signature) .....
Auditor, Manager or Foreman.

Approved,
(Signature) .....
General Manager.

DISTRIBUTION OF CHARGES.

Account.	Amount.	Total.

Form 7.—Check.

No. ..... (City) ..... (State) ..... (Date) ..... 191..

FIRST NATIONAL BANK.

Pay to the order of ..... $.....

..... Dollars.

For .....

Countersigned by

.....
(Title.)

Home Telephone Company.

By .....
(Title.)

Form 8.—Subscriber's bill (face).

Account Telephone No. ..

..... 191 ..

Mr. .....

.....

To Home Telephone Company, Dr.

Telephone rental for month of..... 191...		
Toll charges, as per statement on back.....		
.....		
Balance due on former bills.....		
Total		

Received payment,

(Date) ..... 191 .

(back.)

Toll charges for ..... 191 .

Date.	Message to	Amount.	
	Total.....		

.....

.....

.....

.....

.....

.....

Form 9.—Work Report.

HOME TELEPHONE COMPANY.

Daily Work Report.

Date.....

Name.....

Work Performed.	Hours.

Materials.	Taken out.	Returned.	Used.

Expenses.

Other Material Recovered and Returned to Stock.

HOME TELEPHONE COMPANY.

PAYROLL FOR _____ ENDING _____ _____ 19__

Name	Occupation	1 16	2 17	3 18	4 19	5 20	6 21	7 22	8 23	9 24	10 25	11 26	12 27	13 28	14 29	15 30	31	Total time	Rate	Amount	Check No. *	Received payment
	Total																					

Correct

_____
(Title)

Approved

_____
(Title)

* This column is to be used if employees are paid by individual check.

Form 10.—Payroll.

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